

The grey list survival guide: compliance strategies for South African and Nigerian companies

On 24 February 2023, Nigeria and South Africa were added to the FATF (Financial Action Task Force) grey list. This has important implications for businesses operating in or doing business with these countries, as it can lead to increased scrutiny, regulatory barriers, and reputational risks.

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Source: Supplied. Ola Oyetayo, chief executive officer at Verto.

The FATF grey list is a list of countries that are considered to have strategic deficiencies in their anti-money laundering and counter-terrorist financing regimes, but have committed to addressing these deficiencies.

When the FATF conducts mutual evaluations of member countries, it identifies deficiencies in their system and provides recommendations for improvement. If a country fails to take sufficient action to address these deficiencies, it may be added to the FATF blacklist, which can result in severe economic sanctions and other measures.

However, if a country is making progress in addressing the deficiencies, but has not yet fully implemented of the necessary reforms, it may be placed on the grey list.

Being on the grey list can have negative consequences for a country's economy and international reputation as it can signal to investors and other countries that the country's financial system is not adequately addressing money laundering and terrorist financing risks.

Countries on the grey list have committed to implementing an action plan to address the identified deficiencies within a specified time frame and will be under increased scrutiny from FATF. Once the FATF determines that a country has made sufficient progress in implementing its action plan, it may be removed from the grey list.

The FATF's decision to add Nigeria and South Africa to their watchlist is a warning to businesses operating in these countries that they need to be extra vigilant when it comes to financial transactions. This means

working with trusted partners who have a proven track record of implementing robust security and compliance measures.

A helping hand

Here are eight steps to guide South African and Nigerian companies in staying compliant in a time of increased scrutiny:

- **Understand the regulatory landscape:** Businesses should have a clear understanding of the regulatory landscape for cross-border FX and payment operations in the countries in which they operate. This includes FATF guidelines and recommendations, as well as local regulations.
- **Implement robust KYC procedures:** To mitigate the risk of financial crime, businesses should implement robust KYC (Know Your Customer) procedures, including verifying the identities of all parties involved in a transaction, keeping records of all parties verified, and conducting ongoing due diligence.
- **Conduct transaction monitoring:** To detect and report suspicious activity, businesses should implement transaction monitoring systems that can flag any unusual or potentially fraudulent transactions.
- **Use secure payment systems** Businesses should use secure payment systems to ensure that cross-border FX and payment operations are safe and comply with regulations. For example, Verto's robust anti-money laundering safeguards and its principle of combating the financing of terrorism controls help ensure that any business operating and trading with Nigerian and South African businesses are compliant with regulations and protected from the risks of financial crime.
- **Train employees:** All employees should be trained on AML/CFT regulations, the company's policies, and all procedures related to cross-border FX and payment operations. This will help to ensure that everyone is aware of their responsibilities and can identify potential risks.
- **Engage with regulators:** Businesses should engage with regulators and other relevant authorities to stay up-to-date with any changes to regulations and guidelines related to cross-border FX and payment operations.
- **Conduct regular audits:** Regular audits can help businesses identify any compliance gaps and take corrective actions promptly.
- **Seek professional assistance:** If businesses are unsure about their compliance status or need help implementing compliant cross-border FX and payment operations, they should seek professional assistance from experienced consultants or legal experts.

These recommendations will help South African and Nigerian businesses ensure they are making compliant cross-border FX and payment operations and avoid any potential penalties or reputational damage.

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